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THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D.C. 20505

National Intelligence Officers

NFAC #2657
21 May 1979

MEMORANDUM FOR: Director of Central Intelligence

VIA: Robert R. Bowie
Deputy Director, National Foreign Assessment

FROM: [REDACTED]
National Intelligence Officer for China

SUBJECT: Chinese Policy Toward Vietnam [REDACTED]

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1. Action Requested. None. This memorandum is for your information only. [REDACTED]

2. Background. We have assumed that Chinese policy toward Vietnam is to keep the Vietnamese stretched thin militarily and economically in the expectation that the resulting strains will force Hanoi to become more amenable to a compromise settlement of Kampuchea and an improvement in Sino-Vietnamese relations. [REDACTED]

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3. [REDACTED]

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4. Comment. Other than another punitive expedition against Vietnam, the Chinese have few options in Indochina [REDACTED]

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[REDACTED] Nevertheless, Vietnam's economic difficulties are real (we estimate a current food grain deficiency of 1 million tons), Vietnam has moved many of its main force units to the China border, it has still not eliminated the Pol Pot forces, the rainy season has arrived in Kampuchea, and Vietnam may well become "bogged down," at least until after the rains. China, therefore, has something going for it despite Vietnam's seeming military advantage in Kampuchea and close Soviet-Vietnam relations. [REDACTED]

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NIO/CHINA [REDACTED]

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Dear Mr. Reinsberg:

According to our estimates, China exported around 9 million tons of oil in 1978. This figure includes less than 1 million tons of refined products exported to Hong Kong. This is, of course, a rather small percentage of China's total production of 120 million tons in that same period (or, according to one of your colleagues on the NCUST board, 122.8 million tons).

I am enclosing herewith a copy of the People's Daily editorial of 8 May 1979, which I mentioned during the meeting on 17 May. I hope this will be of interest to you.

Please let me know if I can be of any further assistance.

Sincerely,

/s/

[Redacted Signature]

National Intelligence Officer
for China

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Attachment:
as stated

Mr. Kurt E. Reinsberg
Associated Metals & Minerals Corporation
30 Rockefeller Plaza
New York, New York 10020

[Editorial: "A Vigorous and Cautious Approach Is Required"]

[Text] To achieve socialist modernization in this century, China must actively use the latest technological achievements of other countries according to its particular needs and import advanced technology and equipment. In the past year or so, relevant departments and localities have contacted many countries and concluded deals with their industrial, agricultural, scientific and financial departments for imported items. In addition, some other areas have been under study and ideas on technology exchanged. This has paved the way for China to conduct economic and technological exchanges with the rest of the world.

Importing foreign technology and equipment is an important and complex task. In doing this, what is required is a vigorous and cautious approach. This task must be fulfilled according to the actual situation in China and to an overall plan which serves both need and possibility in properly arranged stages. Importing advanced technology is important in raising our country's production, scientific research and management levels and in rapidly converting our national economy into one that is geared to modern technological requirements. However, we must also realize that our country's economy is backward, its financial and material resources are limited and its technological forces and management level are still low. If more items than necessary are imported, they cannot be used properly and efficiently. If projects are started simultaneously, what we gain in speed is just the opposite of what we can actually accomplish. This is because if the progress of work undertaken in other related sectors fails to measure up, losses will very likely be incurred. At present, priority must be given to items which are urgently needed and which can yield quick results and more profit at not too high a cost. This will benefit capital accumulation, improve people's living conditions and promote the development of the national economy. Naturally, advanced technology for some key units must be imported. If this is not done, the whole modernization project will be affected. Some projects may be deferred or halted for the time being, depending on the decision of the relevant departments in taking appropriate actions. The pace of socialist modernization can be truly quickened if the approach toward imports complements the policy of adjusting the national economy.

Achieving socialist modernization primarily depends on hard work and self-reliance and on the base that we have built. Importing technology and acquiring the latest advances in technological development for our own purposes aim at strengthening our ability to do things in a self-reliant way. We must stress the importance of self-reliance and of the foundation we have laid. [paragraph continues]

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In addition to improving operational and management levels, they should strengthen their work in market surveys and forecasts so products to be exported can conform to the specifications of the foreign markets, thus increasing their competitiveness. Moreover, tourism should be vigorously developed to increase the country's foreign exchange earnings. In sum, all available avenues should be explored to expand exports so that more funds can go for China's socialist construction.

To meet the need for importing items and expanding exports, import and export controls should be reviewed and improved. Under the present system there are too many overlapping control units which have not been properly coordinated. As a result, efficiency is low and delays are common. This state of affairs, which brings losses that can be avoided, is not in accord with the current trend in expanding foreign trade. We must therefore conduct investigations and study and improve the work. In this connection, a centralized organ should be set up to coordinate functions, divide responsibility and increase efficiency. Research units should go ahead with the study of laws and regulations related to the use of foreign investments to promote compensatory trade, joint management of production and operation, as well as funding by banks. Closer coordination between various related units should be encouraged. We are inexperienced in importing technology and equipment, which is a new and complex task. We must therefore learn the business of trading with other countries. In doing this, we will continually accumulate and summarize experiences to enhance our professional level and strive to import items even better.